

March 12, 2003

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TO: Local Agency Formation Commission

FROM: *Municipal Service Review Committee* – Commissioners Peter Herzog, Charley Wilson, Susan Wilson, and John Withers
Executive Officer
Project Manager

SUBJECT: Approval of Consultant Contracts for Phase One of the Municipal Service Reviews

At the Commission's February 7, 2003 regular meeting, staff presented a draft scope of work for professional services to be performed by selected consultants in Phase One of LAFCO's Municipal Service Review ("MSR") Program. In review of the scope, the Commission directed staff to work with the LAFCO MSR Committee to finalize and bring consultant contracts back to the full Commission in March for formal approval. The MSR Committee met with staff in February on two different occasions to review and finalize the scope of work. The Committee and staff are recommending approval and execution of consultant contracts for Phase One with two professional consulting firms: Moore Iacofano Goltsman, Inc. ("MIG") and The Keith Companies, Inc. ("TKC"). Those contracts are attached as Exhibits "A" and "B" to this report, respectively.

Background – Phase One Stakeholder Interviews

Phase One of the MSR program will consist of a series of interviews with public and private stakeholders in Orange County. The purpose of the interviews is to gather data and information about stakeholder views on local and regional municipal service and infrastructure issues related to future growth and development in Orange County. That data and information will be used by LAFCO to determine which municipal services will be most critical for review, and how the MSR process should be designed to achieve a specific set of tangible outcomes from the MSRs.

To encourage open and candid responses from the stakeholders, all interviews will be conducted by the consultants without LAFCO staff participation or involvement, and the identity of the interviewees will be disassociated with the interview results. Upon completion of the interview process, the consultants will prepare and submit to LAFCO a joint, written report of their findings, analysis, and recommendations. Those recommendations will serve as the basis for implementation of two initial MSR "prototypes" in Phase Two of the MSR Program.

For a comprehensive overview of municipal service reviews and LAFCO's strategic approach to the MSRs, please refer to the January 31, 2003 MSR report attached as Exhibit "C".

Scope of Work for Phase One – High-Level Goals & Bottom-Line Objectives

At the Commission's January 31, 2003 Annual Strategic Planning Session, staff presented a comprehensive report and overview of a proposed strategic approach to the MSRs. In its report, staff highlighted a number of key **high-level** goals, desired outcomes, and guiding principles for the project. The Commission in return provided constructive feedback to staff, including the desire to set forth more concrete and **bottom-line** objectives and outcomes for the MSRs. In review of the draft consultant contracts, the MSR Committee addressed the Commission's direction to balance LAFCO's high-level goals for the MSRs with the need for more tangible and concrete objectives and outcomes. The Committee accordingly directed staff to include in the scope of work for the Phase One consultant report a detailed recommendation on "concrete objectives and specific outcomes for the MSR Program."

Initial MSRs as Prototypes in Phase Two – Urban Core & Urban Fringe

In addition to its discussions about "high-level versus bottom-line," the MSR Committee held a similar discussion about how LAFCO should address two fundamentally different urbanized and/or urbanizing areas of Orange County: the **urban core** and the **urban fringe**. The urban core generally includes areas of Orange County that are substantially built out that will experience pressure for revitalization and redevelopment. Municipal service issues for these areas will generally focus on declining revenue streams, increasing housing and public service needs, urban runoff, and aging infrastructure. The urban fringe includes more of Orange County's "edge" areas where opportunities and pressures for future growth and new development exist. Service issues for these areas lean more toward the extension of new infrastructure, public services and facilities, and structures of governance.

- *Rossmoor / Seal Beach / Los Alamitos / Sunset Beach*

During the past few years, LAFCO staff has been working with community leaders and residents in the unincorporated community of Rossmoor, located between the cities of Seal Beach and Los Alamitos, to begin exploring alternative future governance and service options for the community. Community representatives from Rossmoor have expressed concern about the ability and capacity of the community's existing service providers – Rossmoor Community Services District and Rossmoor Homeowners Association – to provide and sustain long-term urban-level services to this substantially built-out unincorporated island community. Other stakeholder agencies in this urban core area include the City of Seal Beach, the City of Los Alamitos, and the Rossmoor/Los Alamitos Sewer District; each with their own long-term service challenges. At last year's 2002 Annual Strategic Planning Session, LAFCO prioritized the Rossmoor / Seal Beach / Los Alamitos / Sunset Beach area as a candidate for an initial MSR.

- *City of Orange / Orange Sphere of Influence*

In 2002, the Commission also identified the City of Orange as an MSR candidate. The City of Orange has a mix of urban core and urban fringe issues, ranging from deteriorating water infrastructure and septic problems in the urban core to more

functional and structural issues of multiple service providers and service systems in the newly developing areas of the City's urban fringe in its eastern sphere of influence. The City has also identified the MSRs as an opportunity to address some of its older infrastructure problems and to begin planning for the City's long-range future growth in the East Orange edge areas. On January 28, 2003, the City of Orange transmitted a letter to LAFCO requesting that the City's sphere of influence be "considered as a priority for inclusion in an upcoming Service Review" (Exhibit "D").

Putting It All Together

To address the need to balance "high-level" with "bottom-line," and "urban core" with "urban fringe," the MSR Committee explored the option of implementing two concurrent MSRs in Phase Two as the initial MSR Prototypes. The Committee determined that each prototype should afford LAFCO the ability to:

- Raise awareness and foster a **high-level** collaborative discussion among Orange County agencies about future growth and governance, service, and infrastructure needs;
- Provide concrete and **bottom-line** tangibles, objectives, outcomes, and actions in and out of the MSR process;
- Address **urban core** issues about aging infrastructure, declining resources and revenues, housing needs, and urban runoff; and
- Address **urban fringe** issues related to new growth and development, including facilities planning, capacity building, and environmental impacts.

Given the characteristics of the Rossmoor and Orange sphere areas described earlier, the Committee believes those areas would provide LAFCO the opportunity to address each and all of the above criteria. The Committee has therefore preliminarily selected the following areas as the primary candidates for LAFCO's initial MSRs in Phase Two:

- *Urban Core:* Rossmoor / Seal Beach / Los Alamitos / Sunset Beach
- *Urban Fringe & Urban Core:* City of Orange / Orange Sphere of Influence

The scopes of work for the consultant contracts list the above areas as proposed prototypes for initial implementation of the MSRs in Phase Two.

Contractual Provisions – Compensation and MSR Budget

The draft contracts for MIG and TKC are substantially in the same form as "boilerplate" consultant contracts routinely approved by the Commission. Staff would like to bring to the Commission's attention, however, that the compensation provisions of the MIG and TKC contracts slightly differ from typical past contracts. Historically, LAFCO contracts for professional services have been executed as "open-ended" contracts with specified "not to exceed" amounts. Under these types of contracts, LAFCO typically receives monthly invoices from the consultants, requiring LAFCO staff to closely manage the monthly invoice amounts relative to the approved budget for a project. Without an in-house contracts administrator on staff, LAFCO's resources for managing these types of "open-ended" consultant contracts are

severely limited. To address this resource issue, staff has approached the MIG and TKC contracts from a slightly different angle.

Instead of “open-ended” consultant contracts, the MIG and TKC contracts are “deliverable-based” “fixed price” contracts. In other words, under these contracts, LAFCO would make “fixed price” payments to the consultants upon completion of pre-determined, specified deliverables and/or milestones. While this methodology requires a significant amount of upfront budget work and cost estimation, it frees up valuable staff time to work on project-related tasks within the project timeline without the burden of managing the day-to-day expenses of a project.

Consistent with this new methodology, the MIG and TKC contracts include individual “fixed price” not to exceed amounts. A breakdown of each contract’s total “fixed price” amount by task and/or deliverable is attached to each contract as an “Activity and Schedule of Charges” exhibit. The MIG contract shall not exceed **\$22,570** in cost for professional services performed within the approved scope of work. The TKC contract amount is slightly lower at **\$14,025** due to the lesser number of interviews TKC will perform per the contract scope of work. Combined, the MIG and TKC contracts total **\$36,595**. This is \$3,405 lower than the \$40,000 that was budgeted by the Commission for the MSRs for the current 2002/03 Fiscal Year.

RECOMMENDATIONS

The MSR Committee and staff recommend that the Commission:

1. Approve the consultant contract for Moore Iacofano Goltsman, Inc. (“MIG”) for professional services for Phase One of the LAFCO Municipal Service Review Program, attached as Exhibit “B”.
2. Approve the consultant contract for The Keith Companies, Inc. (“TKC”) for professional services for Phase One of the LAFCO Municipal Service Review Program, attached as Exhibit “C”.

Respectfully submitted,

DANA M. SMITH

KENNETH G. LEE

Exhibits:

- A. MIG Phase One Contract
- B. TKC Phase One Contract
- C. Jan. 31, 2003 MSR Report
- D. Jan. 28, 2003 City of Orange Letter